Take Care Wage Works Cafeteria Plan (Flex Spending Accounts)

What is a cafeteria plan?

A cafeteria plan is a separate written plan maintained by an employer for employees that meets the specific requirements of and regulations of section 125 of the Internal Revenue Code. It provides participants an opportunity to receive certain benefits on a pretax basis.

A qualified benefit is a benefit that does not defer compensation and is excludable from an employee's gross income under a specific provision of the Code, without being subject to the principles of constructive receipt. Qualified plans offered by the City of Lock Haven to all benefitted employees include the following:

- Dependent care assistance
- · Health savings accounts, including distributions to pay long-term care services

A section 125 plan is the only means by which an employer can offer employees a choice between taxable and nontaxable benefits without the choice causing the benefits to become taxable. A plan offering only a choice between taxable benefits is not a section 125 plan.

Below is an example of how much a person can save each year because of the pre-taxed savings. The example is of a married person, with an income level of \$40,000.00 and the maximum contribution of \$2,2550 which is deducted by-weekly for approximately \$98.08 per pay.

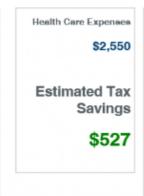
When choosing your deduction, be sure that you will spend the money that you elect for deduction. The Cafeteria Plan guidelines state that you must use or lose your contributions.

Medical Flex Spending Account Savings Example

Your Results If you choose to contribute your total anticipated health expenses to an FSA*			Without FSA	With FSA
		Annual Income	\$40,000	\$40,000
Your annual FSA contribution will be:	\$2,550	FSA Contribution	\$0	\$2,550
Your estimated annual tax savings will be:	\$527	Taxable Income	\$40,000	\$37,450
Your monthly withholding will be:	\$213	Estimated Tax Withholding	\$8,260	\$7,733
The difference in your after-tax monthly pay will be:	\$169	Estimated Health Expenses	\$2,550	\$0
You will break even if you spend at least this much out of your account:	\$2,023	Net Pay	\$29,190	\$29,717
		Estimated Tax Savings		\$527

are for illustrative purposes only, and should not be construed as tax advice. Consult a licensed tax professional for appropriate advice given your individual situation.

Plan your FSA contribution carefully, since any unused funds will be forfeited following the end of your plan year or any grace period thereafter



For additional details about the Lock Haven City Employee Section 125 / FSA please contact Wenda Butler at (570) 893-5621